

SB1970



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

SB1970

Introduced 2/10/2017, by Sen. Omar Aquino

SYNOPSIS AS INTRODUCED:

New Act

Creates the Financial Transaction Tax Act. Imposes a tax on the privilege of engaging in a financial transaction that occurs, is effectuated, consummated, executed, or cleared at a facility located in the State. Provides that the tax is imposed at a rate of \$1 per contract for all transactions for which the underlying asset is an agricultural product and \$2 per contract for all other contracts. Effective immediately.

LRB100 10729 HLH 20959 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Financial Transaction Tax Act.

6 Section 5. Tax imposed; definitions.

7 (a) Beginning September 1, 2017, a tax is imposed on the
8 privilege of engaging in a financial transaction that occurs,
9 is effectuated, consummated, executed, or cleared at a facility
10 located in the State of Illinois. The tax is imposed at a rate
11 of \$1 per contract for all transactions for which the
12 underlying asset is an agricultural product and \$2 per contract
13 for all other contracts. The tax shall be paid by both the
14 seller of each such contract and the purchaser of each such
15 contract.

16 (b) A tax imposed under this Act, and all civil penalties
17 that may be assessed as an incident thereof, shall be
18 administered, collected, and enforced by the Department of
19 Revenue, in the same manner as required under the Retailers'
20 Occupation Tax Act insofar as may be applicable. The Department
21 of Revenue has full power to administer and enforce this Act,
22 to collect all taxes and penalties due under this Act, to
23 dispose of taxes and penalties so collected as provided in this

1 Act, and to determine all rights to credit memoranda arising on
2 account of the erroneous payment of tax or under this Act. The
3 Department of Revenue shall pay over to the State Treasurer all
4 taxes and penalties collected under this Act for deposit into
5 the General Revenue Fund.

6 (c) For the purpose of this Act, "financial transaction"
7 means a transaction involving the purchase or sale of:

8 (1) a "futures contract", defined as a contractual
9 agreement to buy or sell a particular commodity or
10 financial instrument at a pre-determined price in the
11 future;

12 (2) a "swap contract", defined as a contractual
13 agreement to exchange the cash flows of one party's
14 financial instrument for those of the other party's
15 financial instrument;

16 (3) a "credit default swap", defined as a swap designed
17 to transfer the credit exposure of fixed income products
18 between parties, including credit derivative contracts,
19 where the purchaser of the swap makes payments up until the
20 maturity date of a contract, and the seller agrees to pay
21 off a third-party debt if this party defaults on the loan;

22 (4) an "options contract", defined as a contract that
23 allows the holder to buy or sell an underlying security or
24 other financial instrument at a given price, including
25 options on futures contracts and stock index options, but
26 excluding options on individual stocks;

1 (5) an "option on a futures contract", or "futures
2 option contract", defined as a contract that gives the
3 holder the right to enter into a specified futures
4 contract;

5 (6) a "stock index option", defined as a contract that
6 gives the holder the right, but not the obligation, to buy
7 or sell a basket of stocks at an agreed-upon price and
8 before a certain date; and

9 (7) any other "derivatives", defined as a security or
10 financial instrument the price which is dependent upon or
11 derived from one or more underlying assets, that is not
12 otherwise exempted by this Act.

13 (d) For the purpose of this Act, "financial transaction"
14 does not include a transaction involving securities held in a
15 retirement account or a transaction involving a mutual fund. An
16 exchange of securities or financial instruments identified in
17 this Section shall be treated as a purchase of the securities
18 or financial instruments received by each party to the
19 exchange.

20 Section 10. Rules. The Department shall adopt
21 administrative rules to implement and administer this Act.
22 Initial rules may be adopted as emergency rules.

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.